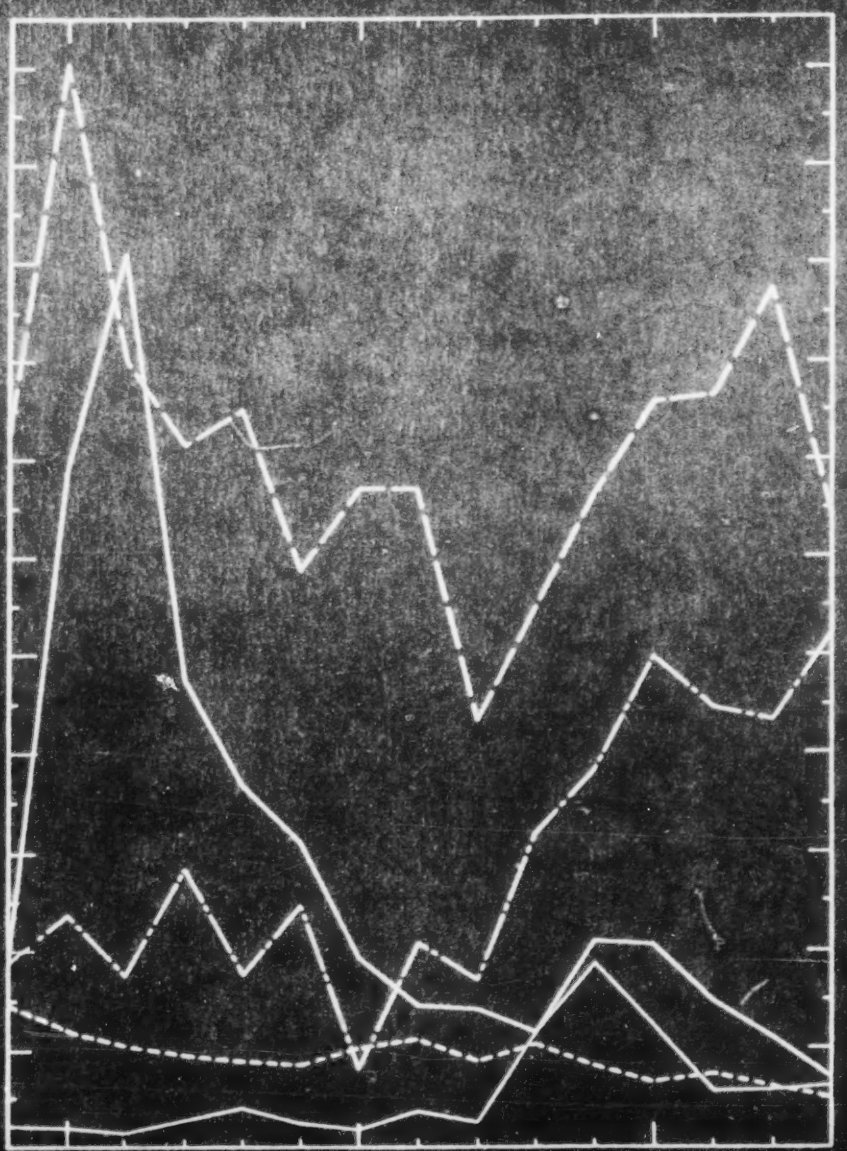
THE NOVA SCOTIA ECONOMY



1975 REVIEW

1976 OUTLOOK

NOVA SCOTIA DEPARTMENT OF DEVELOPMENT
Economics and Statistics Division

NOVA SCOTIA ECONOMY

1975 REVIEW

1976 OUTLOOK

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December, 11, 1975.

THE NOVA SCOTIA ECONOMY, 1975 HIGHLIGHTS

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INTRODUCTION 1

While most economies in the western industrialized world have been coping with the most serious recession in the post-war period, the Nova Scotia economy has only recently shown any effects from this general economic malaise.

POPULATION 2

The vigorous population gain in 1974 continued into 1975, with in-migration responsible for 2,600 of the 9,000 yearly increase. Total population as of June, 1975, stood at 822,000.

LABOUR FORCE CHARACTERISTICS 4

Relative to the corresponding period in 1974, the first ten months of 1975 have witnessed a marked decline in labour force growth, no change in employment, and a steady rise in unemployment rates. The average unemployment rate during this span, however, was less than 1 per cent above the national figure.

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Price increases in Nova Scotia continue to be moderate in light of the experience elsewhere. The consumer price index advanced at a rate of 10.0 per cent between January and October, whereas the national rate of inflation measured 11.3 per cent.

INCOMES 10

Nova Scotia's per capita income is estimated to be $4,560 in 1975, 80.4 per cent of the Canadian average.

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Capital spending in Nova Scotia by business, government, and households is expected to be $899.7 million in 1975, or slightly below the $905.1 million for 1974. In real terms, therefore, a significant decline is evident.

HOUSING 14

Housing starts to the end of September were down 3 per cent from the previous year; activity was particularly slow in the first half of the year, but a distinct improvement occurred in the third quarter.

PRIMARY SECTOR 15

Agricultural output has been holding firm but sizeable increases in farmers' costs for inputs have offset much of the gain in income. Fish prices have been slowly moving upward and inventories have began to clear. Sea fish catches show a marked drop, however. The forestry sector displayed a mixed performance, with logging and lumber production off by one-third and the pulp wood industry achieving new production records. Mining generally continued in high gear in 1975, led by a hefty increase in coal output.

MANUFACTURING 23

Manufacturing shipments were again strong in the first three quarters of 1975, increasing by 10.9 per cent to a value of 1,262.2 million.

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Exports have been robust to the end of September, advancing by 6.2 per cent in spite of a huge drop in petroleum sales occasioned by United States policy measures.

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Retail sales in the province are reflecting the squeeze from inflation faced by consumers, showing a real growth of only 1.5 per cent in the first nine months of the year.

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Tourism displayed a renewed vigour in 1975. The number of visitors rose by 7 per cent while tourist expenditures reached a record $88.1 million.

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Large capital outlays and rising charges to users dominated the utility scene in 1975 as demands continued to press against existing capacity.

TRANSPORTATION 30

The transportation sector again witnessed a busy year, with the heavy volume of traffic necessitating further expansion of existing facilities.

Overview

The current recession which has spread throughout the western industrialized countries ranks as the most severe economic malaise in the world economy in the past thirty years. Significant declines in real output and post-war highs in rates of unemployment are being recorded by many nations in 1975. Real GNP is expected to drop by almost 4 per cent in the U.S., for example, while Canada, Germany, Italy and the U.K. are all facing a year of negative or zero growth. Moreover, even in countries like Japan, where the main economic indicators suggest that the bottom of the recession has been passed, real growth will hardly exceed 1 per cent.

The present recession is noteworthy not only because of its severity but also because of its duration. A general international slowdown in activity was clearly evident as early as the first quarter of 1974; yet, firm evidence of a recovery is still sparse. While many countries are expressing optimism that 1976 will soon bring a sustained turnaround, they appear to be reconciled to a slow and painful period of convalescence. Any tendency to implement expansionary monetary and fiscal policies to hasten an upswing is being tempered by a determination to break the inflationary spiral of recent years.

The Canadian economy managed to avoid the impact of the worldwide recession until the latter half of 1974, in large measure due to her abundant reserves of energy, raw materials, and basic commodities. The slump experienced by our major trading partners was ultimately felt in Canada, however, through

a weakening of our export sector. The slowdown intensified throughout 1975 as businesses increasingly turned to their accumulated inventories of goods, rather than new production, to meet demands, while real investment sagged in response to rapidly escalating costs, labour strikes, and reduced availability of funds. Obstacles to a strong expansion in 1976 exist on a number of fronts - business investment is weak, for example, while the federal government's anti-inflation programme is imposing restrictive policies.

The Nova Scotia economy has only recently shown the effects of the world recession. Signs of weakness are evident in construction, the fishing sector, and investment outlays. Employment levels are holding steady but the rate of unemployment has moved up significantly. In most respects, however, the provincial performance is better than the national record. Manufacturing shipments, retail sales, and exports remain strong. The key factors in determining the rate of expansion in 1976 will be the strength of the upturn in the U.S., the state of the construction sector, and the course of business investment.

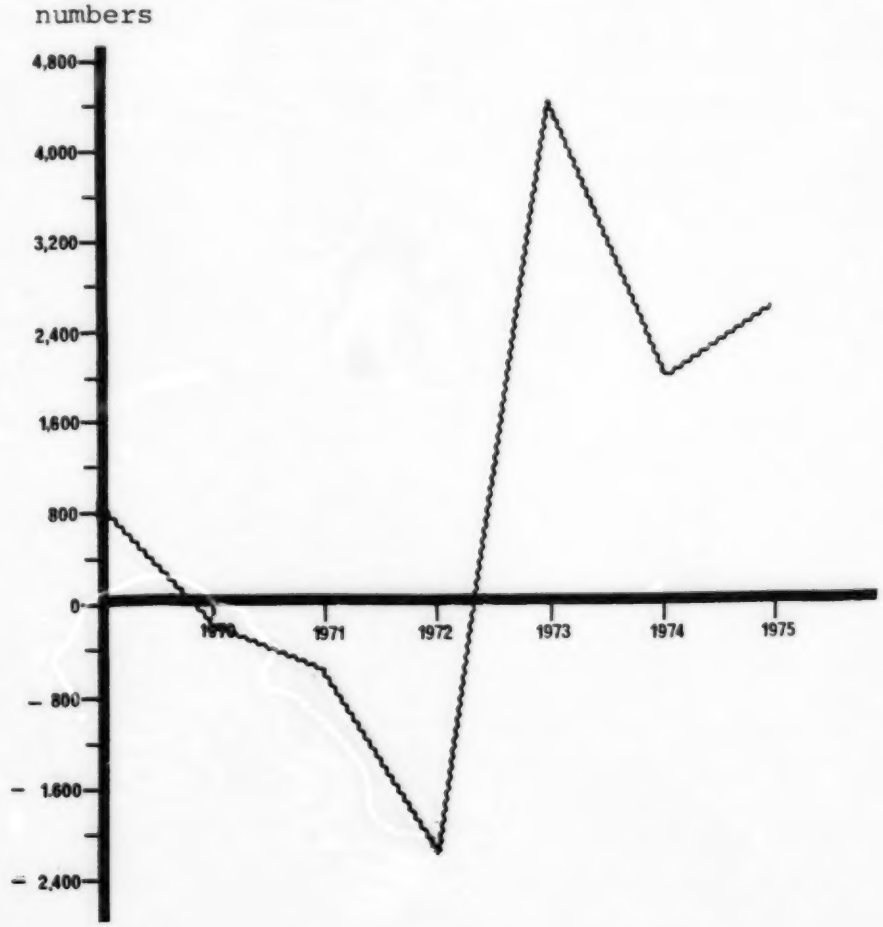
Population

The population of Nova Scotia has grown steadily during the 1970's. By June, 1975, the population had reached an estimated 822,000 - a gain of 9,000 over the previous year. This estimate represented an increase of 1.1 per cent compared to 1.0 per cent for a year earlier.

In the twelve months ending June, 1975, live births increased by 1.0 per cent to 13,203, resulting in a provincial birth rate of 16.06 per 1,000 people. Although the birth rate is virtually unchanged from a year ago, it stands above the national average of 15.54.

During the twelve month period ending in June, 1975, the number of recorded deaths was 6,832, a reduction of 4.5 per cent from the previous year.

Chart 1
Net Migration, Nova Scotia, 1970-1975



On the basis of these birth, death and population statistics, net migration into the province was estimated to be approximately 2,600. For the third consecutive year, Nova Scotia experienced a net in-migration. However, it remains to be seen if the reversal of the flow of out-migration from the province is more than just a temporary phenomenon.

Normal population growth will bring a further increase of over 6,000 in our population by June of 1976; should the recent in-migration phenomenon continue, gains could again be in the order of 8,000 to 9,000 people.

Labour Force

In contrast to 1973 and 1974 - years which saw rapid growth in provincial labour force and job openings - the first ten months of 1975 have witnessed much smaller changes in the labour force. The average labour force for this period, at 304,000, is only 1.5 per cent larger than the 299,000 workers available in the same period in 1974. In 1973 and 1974, by contrast, the growth in the labour force exceeded 5 per cent on an annual basis. Higher participation rates in response to a rapid expansion of jobs, in both goods producing and service industries, provided much of the boost to the workforce. In the current year participation rates have fallen as workers find new jobs at a premium.

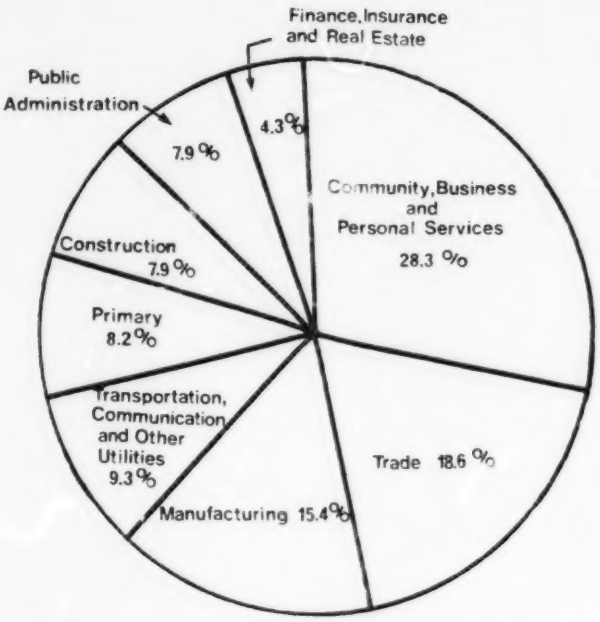
Employment

One of the most noticeable features of the provincial labour market in 1975 has been a substantial reduction in new job openings. As a result, the level of employment from January to

October averaged 279,000 - unchanged from the same period in 1974.

Chart 2

Employment by Industry, 1975



The level of unemployment thus far in 1975 has averaged 25,000 pecple, about 4,000 more than in 1974. However, substantial lay-offs have been confined primarily to the steel and fishing industries. The limited capacity of the Nova Scotia economy to absorb new entrants into the labour force has been a major factor in the unemployment picture. The average rate of unemployment of 8.1 per cent to the end of October is a much higher figure than the 6.7 per cent registered between January and October of last year. By comparison, the rate of unemployment at the national level has been rising much faster, with the result that the differential between the Nova Scotia and Canada rates has dropped to less than 1 per cent.

The incidence of unemployment is concentrated among the younger age groups. This segment of the labour force typically has the greatest difficulty in successfully entering the job market, because they lack the experience or training which employers often want. Their problems intensify in times when new job opportunities are relatively few. The unemployment rate for those under 25 averaged 13.6 per cent from January to October, whereas the unemployment rate for workers over 25 was 5.5 per cent.

The predominant factor in the labour market in the coming year will be a relative lack of new job opportunities. The provincial participation rate for the first ten months of 1975 fell to 52.2 per cent from 52.8 per cent in the corresponding period last year, reflecting an increasing amount of slack in some areas of the economy. This year's weak business investment outlook translates into a softening demand for manpower in the private sector for 1976. Restraints on additional hiring in the public sector are an integral part of the anti-inflation programme, although the impact here will be cushioned by the special job creation plan announced by the provincial government. On balance, however, unemployment rates in the double digit range can be expected during the winter months.

Regional Unemployment

Significant differences in unemployment rates continue to persist in various areas of the province. The Halifax-South-western region (comprised of the counties of Halifax, Digby,

Lunenburg, Queens , Shelburne, and Yarmouth) has consistently registered an unemployment rate which is well below the national average. In the first ten months of 1975, the unemployment rate averaged 6.3 per cent which compares very favourably with the national rate of 7.6 per cent for the same period, although it is noticeably higher than the 4.7 per cent recorded in the first ten months of 1974. Cape Breton Island experienced a worsening of its chronic unemployment problem, with its average rate of unemployment between January and October at 14.0 per cent, a marked deterioration from the 11.7 per cent registered in the same span last year. Attempts to diversify the economic base have proved to be painfully slow while the lay-offs at Sysco have further aggravated the situation. In the other region of the province which includes the Annapolis Valley and northern Nova Scotia, the unemployment rate edged upward to 7.5 per cent from 7.3 per cent.

Regional Participation Rates

Movements in regional participation rates, defined as the per cent of the population of working age that is in the labour force, reflect employment opportunities in local labour markets. As job opportunities improve, secondary wage earners (e.g., many married females), young people, unskilled workers, and older workers are attracted into the labour force in greater numbers. As a result, the participation rate rises. When over-all employment prospects decline, many job seekers become discouraged and withdraw from the labour force. The participation rate thereby falls.

In response to the depressed conditions in the local labour market, the participation rate in Cape Breton dropped again in the first ten months of 1975 to 46.8 per cent from the already low level of 47.5 per cent for the similar period in 1974. In other words, only 46.8 per cent of the population of working age in Cape Breton are in the labour force; for all of Canada, almost 60 per cent of working age people are included in the labour force.

The participation rate for the Southwestern Nova Scotia - Halifax County region moved down to 55.5 per cent from 56.0 per cent in the period covering January to October, indicating that the tight labour market conditions of 1974 have been easing during the current year. The average participation rate for the Annapolis Valley - Northern Nova Scotia region remained at the 50.8 per cent level reached in 1974.

Prices

The economy of Nova Scotia continues to experience high rates of inflation. In most instances, however, prices are not advancing as rapidly in Nova Scotia as they are in the country as a whole. These differences are particularly noticeable in the movements of consumer prices.

The all items consumer price index for Metropolitan Halifax climbed 10.0 per cent in the first ten months of 1975, compared with the 9.5 per cent figure for the same period in 1974. The consumer price index for Canada registered a significantly higher increase of 11.3 per cent.

In Halifax, there was a lower rate of price increase in two major components of the consumer price index - food and housing. Retail food prices rose 13.2 per cent, compared to 15.3 per cent in the previous year, while housing prices, which have been accelerating steadily in the 1970's, increased by 6.7 per cent, compared to 8.8 per cent in 1974.

In all other components of the consumer price index, there was an acceleration in the rate of price increase in 1975. These components, along with their 1975 increases, are: tobacco and alcohol (13.2%); transportation (12.1%); health and personal care (9.9%): recreation and reading (7.9%); and clothing (6.6%).

With the Government of Canada's wage and price guidelines a number of forces will be working to moderate inflation in 1976. In addition, proposed rent controls should slow down increases in the cost of housing.

During the sixty day freeze imposed by retail food chains, the pressure on food prices should be reduced. At the same time, other factors will provide a stimulus to price increases. For example, recent hikes in telephone and electricity rates have yet to be reflected in the consumer price index. There may be further pressure in 1976 on fuel costs. In general, if production costs rise, then increases in the prices of goods and services will be permitted under the wage and price guidelines.

The rate of inflation in 1976 is not expected to accelerate beyond the current pace of 10 per cent. Prospects of containing a wage/price spiral have been greatly enhanced with the imposition of wage and price controls. The programme has already had a visible effect on expectations, with people lowering their sights as they bring existing contract negotiations to an end or begin discussions on new agreements.

Incomes

Personal income per capita in Nova Scotia is estimated to have risen by 14.3 per cent in 1975 - an increase of $570 over 1974. However, a projected gain of 14.2 per cent in national per capita income will leave the Nova Scotia figure at 80.4 per cent of the national average.

Although employment in the province in 1975 remained unchanged from the previous year, total wages and salaries in the first nine months of 1975 advanced by 14.8 per cent to almost $1.6 billion. Average weekly wages and salaries in the same period increased by 15.2 per cent; with a current rate of inflation of 10.0 per cent, substantial real gains in earnings were achieved. Labour's attempts to "catch up" with inflation thus proved to be successful in 1975.

In 1976, under the Government of Canada's wage and price guidelines, the rate of increase in average weekly wages and salaries will moderate. Gains in real wages and salaries will again be achieved, however, as a number of labour contracts signed in 1974 and 1975 have been exempted from the guidelines.

Many of these contracts also contain cost-of-living provisions, and they will sustain some of the momentum of wage and salary increases.

Capital Spending

Statistic Canada's mid-year review of investment intentions indicates that capital expenditures by all sectors of the Nova Scotia economy will total $899.7 million for 1975. In relation to 1974, the estimated outlay for this year is down by $5.4 million or approximately one-half of one per cent. These measurements are in current dollar values without any adjustments for price increases between the two years. In real terms, therefore, a significant decline in investment in 1975 is clearly evident in these figures.

Capital outlays on new construction and equipment by the business sector are estimated to be $506.8 million, or 3.7 per cent below 1974. Within this sector, manufacturing shows a steep decline, from $195.3 million in 1974 to $124.7 million in 1975. Utilities display the opposite trend, moving up 42.4 per cent from $123.6 million to $176.0 million. This category reflects the investment programmes of the Nova Scotia Power Corporation and Maritime Telephone and Telegraph Limited. An $80 million hydro-electric facility at Wreck Cove represents the largest single investment in the Power Corporation's history. Maritime Tel and Tel is completing the ninth year of a 10 - year capital construction programme designed to provide dial service and direct distance dialing to all communities in the province. Expenditures for 1975 will total $65 million. Only minor changes

in investment are taking place in primary industries and construction ($100.4 million this year compared to $99.3 million last year) and trade, finance, and commercial services ($105.7 million versus $108.1 million last year).

Capital spending by institutions and government is estimated to be $237.1 million in 1975, up 14.7 per cent over the preceding year. Public sector programmes make up most of the major projects now underway in the province and have an important stabilizing role to fill in view of the weakness in business investment. Many government departments are also entering into subsidiary arrangements under the umbrella of the General Development Agreement with the Department of Regional Economic Expansion, thereby laying the groundwork for sizeable future expenditures on the capital account.

Housing expenditures constitute the other major component of capital spending. A decline of 9.4 per cent over 1974, to $155.8 million, is expected. Increased costs of construction and rising mortgage rates largely account for the sluggish state of the housing market.

The outlook for investment in 1976 is not a promising one; the weakness in business capital spending may last throughout the coming year. On one hand, record levels of investment undertaken by firms in the goods-producing sector in 1973 and 1974 appear to have provided sufficient capacity to serve current demand. On the other hand, the federal anti-inflation programme will put a squeeze on profits while the high cost of borrowing may continue to deter investment plans. Financial

constraints generally being felt in this time of belt-tightening measures could also curtail capital spending by the service sector and government.

Residential and Non-Residential Construction

Activity in the construction sector has levelled off in 1975 after a boom year in 1974. The total value of construction work[1] performed this year will reach $704 million, about 1.5 per cent above last year. The residential housing portion of construction activity is weaker, at $207.2 million, a drop of over $10 million from last year. Non-residential construction is expected to rise by 4.2 per cent in 1975 to $496.7 million. Institutional and government buildings built during 1975 are worth $238.8 million, or 12.8 per cent more than last year, but industrial and commercial structures involve lower expenditures, amounting to $193.5 million and $64.4 million respectively.

The prospects for future construction activity are very uncertain. Residential construction, which is examined more closely in the next section, has only recently shown signs of moving out of the doldrums which marked the early part of the year. The industrial building scene is at a low ebb, a victim of the world

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[1] Note that capital spending outlined in the previous section covers only outlays for new buildings, machinery, and equipment. Construction expenditures include, in addition to this item, repair expenditures on structures, machinery and equipment. Construction expenditures thus provide a more complete picture of total demands made on labour and materials in carrying out these programmes, whereas capital spending shows the increase in the productive capacity of the economy.

economic slowdown. Governmental and institutional building will be directly subject to the restraint programme now being implemented. Commercial projects are beginning to show some strength, however, as a number of large-scale developments in Metropolitan Halifax have recently been started or announced.

Housing

Housing starts in the first three quarters of 1975 were running at a pace slightly below that of the corresponding period in 1974, with the total down to 4,175 units from 4,285. Although the decline measures less than 3 per cent, the situation is disappointing in that 1974 was a relatively poor year for new dwelling starts. The downturn which set in last year is readily visible in the figures on housing completions; only 3,827 units were completed between January and September of 1975, compared to 4,623 completions for the same period in 1974.

Single detached units constituted 2,577 of the housing starts, a marginal decline from the 2,620 level for last year. Semi-detached and row housing advanced from 260 to 624, but for the second consecutive year, a pronounced drop has occurred in apartment building starts. These units totalled 1,405 in the first nine months of 1974 but plunged 30.7 per cent to 974 in the corresponding figure in 1975.

It is very uncertain as to when a significant upswing in housing will take place. Government participation in the housing market has been increasing but this stimulus has not

as yet had as great an impact on the supply of new accommodations as had been expected. While housing prices have levelled off during the current year, interest rates have moved higher due to continuing inflationary pressures and the decision of the Bank of Canada to moderate the rate of growth of the money supply. Escalating construction and operating costs have been lowering returns from rental units, thereby reducing the incentive to build apartments. In view of these factors, then, a dramatic improvement in the housing market in 1976 is unlikely; some improvement is anticipated but targets are being revised downward from earlier projections.

Primary Sector

Agriculture

With the agricultural sector and other resource industries now receiving a larger slice of the gross provincial income pie, a renewed sense of interest has emerged in farming, not only as a way of life, but also, as a potentially viable business enterprise. Over the past year, for instance, there has been a pronounced upswing in land clearing activities and new farm buildings are in evidence throughout the countryside. These capital investments should provide the needed incremental capacity for gradually expanding Nova Scotia's agricultural production.

Farm cash income generated by Nova Scotia's diversified agricultural sector in the first nine months of 1975 amounted to nearly $83 million, an increase of 7 per cent over the

records achieved during the comparable period last year. As incomes from the crop sales for the 1975 growing season are tallied, some further acceleration in the rate of increase is expected. By year's end, farm cash income should be up over the $115 million mark.

Although cash income dollar gains have been impressive, the real growth in the farming community's income has been considerably more modest, and in fact, is only slightly improved relative to last year. The bulk of the actual dollar gains has been attributed to higher material costs, especially for fertilizers and animal feeds.

Aggregate output of Nova Scotia's farm products increased somewhat this past year. Milk production has climbed by approximately 8 per cent and the climatic conditions of the past growing season have resulted in a markedly enlarged apple crop. Blueberries and other crops, on the other hand, remained at about their 1974 production levels. Cattle and poultry production also remained steady, whereas hog production, reflecting last year's over supply conditions was down by about 3 per cent.

As anticipated, diminished hog supplies caused prices to increase sharply during the first half of 1975 and then taper off in the last half of the year. Cattle, milk and egg prices showed moderate increases and kept pace with higher production costs. Fruit and vegetable prices have remained firm, with the exception of apples, where prices have fallen at both the producer and distributor levels. Heavy apple crops in most of

the major producing areas of the world should lead to a continuation of improved retail prices for all apple products throughout the remainder of 1975 and possibly well into the next calendar year.

The outlook in the agricultural sector for 1976 is one of continued cautious optimism. Current forecasts would suggest further gains, perhaps in the range of 3 to 5 per cent , in real farm cash income next year.

Hog production will likely be up by about 10 per cent, and hopefully, prices will remain relatively steady. Similarly, cattle production should show a sizeable increase, while dairy, eggs, and poultry products should keep pace with an enlarged market demand. Projections of fruit, vegetables, and forage crops remain somewhat hazy, being so dependent on weather conditions. Nevertheless, crop production expectations remain favourable.

Fisheries

The fisheries sector began the year on a rather weak footing, with opening inventories being relatively high, and prices remaining bearish.

The first quarter's performance by this sector generally followed closely that recorded in the fisheries late in 1974. By April, however, market conditions began to improve, partially due to continued high meat and poultry prices and also partly attributable to the somewhat improved economic climate in the United States, our major market for Nova Scotia fish products.

This market trend continued in the third quarter and similar market conditions are expected to prevail throughout the remainder of 1975.

Although inventories have begun to clear and prices are showing signs of slow upward movement, sea fish catches are markedly lower for the first three quarters of this year relative to the same period last year. In fact, up to the end of September, the volume of landings was off by more than 100 million pounds, a drop of nearly 20 per cent over the first nine months of 1974. Cod, redfish, herring, pollock and flounder were all down markedly. Fortunately, the volume of Nova Scotia shellfish catches, and in particular, of lobster and scallops has increased by 11 per cent.

Shellfish products, being generally much higher value commodities than groundfish or the pelagic varieties, cushioned the impact of the significantly reduced sea fish landings and prevented a dramatic fall in the overall value of sea fish landings from taking place. By the end of September, the value of landings exceeded $55 million, but were still more than 5 per cent lower than at this time last year. Even with the possibility of a good strong fall fishing season, it is unlikely that the aggregate value of fish landings for the calendar year will exceed those levels achieved in 1974 by more than a few per cent.

When the additional effort required per unit of catch in 1975 is combined with weak market conditions evident at the start of the year, the financial performance of companies en-

gaged in fisheries activities will likely be well below what is considered normal by the industry. However, losses suffered early in the year should have given way by the second half to moderate profits.

Most business forecasts for the fisheries sector in 1976 would suggest catches of a comparable level to 1975, with gradual price increases likely as inventories diminish and the substitution of other protein foods in favour of fish products continues. Landed value will likely increase upwards of 8 to 10 per cent in 1976.

Forestry

Nova Scotia's primary forestry sector recorded a mixed performance during 1975. Logging and lumber production was off by about a third, whereas the pulpwood industry continued to grow and achieve new production records.

During the first nine months of 1975 more than 780,000 cunits* of pulpwood were cut from Nova Scotia's forests, a jump of nearly 10 per cent over the total for the first three-quarters of last year. A major strike in the pulp and paper industry during the last quarter of the year, coupled with financial problems at the Anil hardboard plant and generally healthy inventories of pulpwood throughout the province, should have a modest slowing effect on the rate of pulpwood production over the last three months of 1975. Nevertheless, production at year's end should be up by about 200,000 cunits.

*NOTE: 1 Cunit = 100 cubic feet.

With the volume of new housing construction in the province remaining at a relatively low level, especially in the first half of 1975, and international lumber markets also showing continued signs of evident weakness, lumber production fell by 40 million board feet in the first 8 months of 1975 as compared with the similar period last year. A noticeable pickup in housing starts during the second half of the year, and particularly for single family dwellings which are the heaviest consumers of lumber products, should have a positive effect on depleting existing lumber inventories and generate a modest increase in the level of lumber production. However, by the end of the year, lumber production will still be off the 1974 level by about 20 per cent.

Since the national pulp and paper strike whittled away existing stocksof newsprint and fine papers, a heavy demand for these products is anticipated in 1976. In turn, this is expected to bolster production of domestic pulpwood and should lead to further real growth of output in this industry. Logging and lumber production are also predicted to show a moderate improvement over 1975 as the local demand for new housing is forecast to show an improvement, although a limited one, and the international market for lumber products should continue along its gradual road to recovery.

Mining

Nova Scotia's mining sector, a composite of approximately twenty extractive non-metallic and metallic resource activities, generally continued in high gear throughout 1975. The leading

productive force this year has been DEVCO's coal mines, which by year's end will have mined 800,000 more tons of coal than in 1974. What this means in percentage terms is an increase in physical output of more than 50 per cent; certainly a visible sign of the improving health of this particular industry.

During the year DEVCO had three major underground mining operations in production, supplemented by two small open face mines. A major fire at the No. 26 Colliery in June temporarily curtailed production of this mine and cut back somewhat on the overall growth of production which it might have otherwise achieved. However, the new Lingan mine continued to move closer to its expected level of full production, estimated at 800,000 tons per annum, and prevented a serious production shortfall from occurring.

As expected, the rapidly escalating world price for crude petroleum feed stock has continued to make Nova Scotia's coal reserves relatively more attractive and has insured ready markets for this non-renewable resource. Not only are the Nova Scotia Power Corporation and SYSCO making extensive use of this local energy source, but also, sizeable new markets in the United Kingdom and Ontario have emerged over the course of the year.

Although mining in Nova Scotia is often viewed as being synonymous with coal mining, a few other minerals contribute substantially to the total production value of this sector. Gypsum ranks as the second largest industry in value terms. As expected, the gypsum mines did not fare as well as the

province's coal mining activities. Rapidly escalating construction costs, high interest rates, and the continued sluggishness of the United States economy, the principal market for Nova Scotia's gypsum, have all contributed to the downturn in the housing industry experienced over the past few years. This has had a direct effect on the demand for Nova Scotia gypsum, which according to preliminary estimates, is off last year's shipment figure by about 15 per cent. Exports to the United States of raw gypsum in the first half of 1975, for instance, fell by over 1 million dollars relative to the same period in 1974.

Salt mining is another large contributor in value terms to the mining sector. This year approximately 800,000 tons will have been mined, mainly for sale to Canadian customers. Sales by this industry have been running at approximately the same level as last year, and when the year's figures are tallied, Nova Scotia's two large producers should have contributed about $11,000,000 to the mining sector's output.

In addition to the three principal minerals noted above, production activity remained buoyant for most other mineral and structural materials, such as quartz, limestone, clay products, and sand and gravel. When all of the statistics are in for 1975, the aggregate value of production for all components of the province's mining sector should be up by approximately 25 per cent.

Next year's outlook for most components in this industrial sector remains reasonably bright. Coal mining should be up at least a further 20 to 25 per cent, as the Prince mine now in

development stage moves into full production. A new coal desulphurization plant should also come on stream in 1976 and add further value to our coal resources.

Sales for most other minerals should remain at about the 1975 level. However, if the effective demand for new housing increases in the United States by the summer of 1976, as predicted by some forecasters, the gypsum industry could record at least a moderate upturn.

Another encouraging sign is in mineral explorations. During 1976, Imperial Oil Limited in conjunction with Cuvier Mines Limited, are planning on spending approximately $1.5 million in underground exploration on their recent lead-zinc find at Gays River. Similarly, the coal reserve inventory project is expected to continue, as is considerable exploration work on various mineral claims throughout the province. This augurs well for the short to medium term future of the mining sector.

Manufacturing

During the first three quarters of 1975, the value of manufacturing shipments reached $1,262.2 million, an increase of 10.9 per cent over the same period last year. The strength displayed by our manufacturing sector is particularly impressive in that this thrust follows an advance of 32 per cent achieved in 1974.

Approximately one quarter of the value of our manufacturing shipments is accounted for by petroleum products. Dollar sales by provincial refineries in the current year to date are on a par with those of last year, and while smaller amounts of fuel are

being purchased by our American customers, price increases have compensated for the decline in output.

The share of activity held by the food and beverage group continues to exceed 20 per cent, with its value of $271 million for the first nine months of this year representing a gain of 11.1 per cent over the same period in 1974. Among the significant new projects undertaken in 1975 were the establishment of Life Savers Limited in Amherst and the construction of new plants by Standard Brands in Dartmouth and Twin Cities Co-op Dairy in Hammonds Plains, Halifax County.

Shipments by the transportation equipment industries grew by a remarkable 63.3 per cent between January and September to reach a value in excess of $168 million. Ships and vessels and railway rolling stock have long been the staple items but the product lines are being extensively widened to serve all modes of transport. The list of major commodities now being produced includes automobiles, truck bodies, oil drilling rigs, and aircraft parts.

Movements of pulp and paper products also amounted to $168 million in the first nine months of this year, up 20 per cent from the comparable period last year. Output from the province's pulp and paper mills to the end of September has been holding up much better than in other provinces, with newsprint being especially prominent in this performance. Production has temporarily been halted, however, by the nation-wide strike which spread to Nova Scotia in November.

Although the other manufacturing industries account for much smaller percentages of total activity, significant increases in shipments were recorded by the following product groups: wood industries (14.5%), furniture and fixtures (62.7%), printing and publishing (16.2%), non-metallic minerals (14.9%), and chemicals and chemical products (20.7%).

The one major product group which experienced great difficulty in 1975 was textiles, where the value of shipments between January and September declined by 18 per cent relative to the same period in 1974. A world-wide slowdown in the textile industry in 1974 was led by an extremely high build-up in inventories, particularly in Far Eastern countries. In 1975, prices for textiles imported into Canada dropped dramatically and the market for local producers correspondingly shrank.

The manufacturing sector should remain strong in 1976, although it may be difficult to maintain the current rate of increase in value of shipments. The food and beverage group is noted for its consistent pattern of steady growth while the pulp and paper mills will face a backlog of demand when production resumes. Markets for our transportation equipment industries are expected to be firm. Signs of a revival in the textile industry have recently emerged but refineries will again encounter marketing problems in the United States.

A drop in real investment in 1975 may constrain over-all growth in manufacturing shipments in 1976. The strength of the economy in the United States is another important element in the total picture, as export markets absorb 20 per cent of our manufacturing shipments.

Exports

Exports from Nova Scotia in the first three quarters of this year were valued at $382 million, an increase of 6.2 per cent over the same period of 1974. Foreign sales for our major commodities were actually much stronger than appears at first glance. A loss of markets in the United States for petroleum products, - a result of the decision by the American government to curtail imports of these goods, - has substantially offset gains achieved in most other areas.

Fish products were 29 per cent higher in value, with the quantity exported up by 13 per cent. Shipments of wood pulp remained steady but increased prices pushed sales ahead by 32 per cent relative to the first three quarters of 1974. Transportation equipment recorded a hefty rise of over 50 per cent in value, with most of this explained by greater quantity. Paper products advanced over 12 per cent, although the amount sold abroad dipped by 13 per cent.

The reversal in petroleum exports has been dramatic; our refineries sent over 21 times as much fuel to the United States between January and September of 1974 compared to the same period in 1975. Revenue received from this market has been cut in half in the first three-quarters of this year.

Export sales have generally remained robust in spite of the economic slowdown in the Western World. As the economies of our major trading partners strengthen during the course of the coming year, prospects should improve even further. The period of adjustment facing the petroleum industry has run its

course, and our export performance in 1976 will no longer be distorted by this shock factor.

Retail Trade

The results of the retail trade sector in 1975 reflect the pinch on the pocketbook from rising prices. Between January and September sales were $1,146.7 million, up 11.4 per cent relative to the same period in 1974. However after allowance is made for the inflationary element, a real growth of only 1.5 per cent is recorded for the period.

Grocery and combination stores, motor vehicle dealers, service stations, and department stores take in 61 per cent of total retail receipts. To the end of September grocery and combination stores had a cash register tally of $272 million, approximately 12.5 per cent ahead of last year's total over the same span. Motor vehicle dealers had an increase in sales value of 12.8 per cent to $232 million, although the number of units sold was down by 6 per cent. Department stores advanced 11.6 per cent, hitting $92 million, while service stations were ahead by 11.3 per cent, at $100 million.

Retail sales for 1975 are expected to amount to about $1.6 billion, a real growth of around 1 per cent. The forecast for 1976 is somewhat clouded due to the introduction of the wage and price control programme. Current assessments of consumer buying intentions suggest that consumers are reluctant to make commitments on big-ticket items such as major appliances and furniture. Retailers may see much greater buying activity in 1976, however. Many consumers postponed major purchases

during 1975; past experience has shown that people are often not prepared to wait another year to trade in their car or acquire durable household goods.

Tourism

The number of visitors to Nova Scotia showed a vigorous increase of 7 per cent in 1975. For the period from June 1 to October 31, automobile traffic from the United States increased by 13 per cent, while Canadian automobile traffic increased by 5 per cent to 1974.

The increase in visits by Americans represents a recovery from last year's situation, when energy concerns and the steep rise in inflation kept many tourists at home. Since the average American spends twice as much as the typical Canadian guest, total tourist expenditures in the province this year reached a record $88.1 million.

The figures on motor travel show greater percentage increases in tourists coming from more distant points. Cars from Western Canada were up by 25 per cent, and those from the South Central United States by 55 per cent, for example.

The flow of vehicles from all entry points was heavier this year, with Digby (up 24%), Yarmouth (up 17%), and North Sydney (up 15%) showing the greatest increases in activity.

Postponement of visits from 1974, and the first signs of the turnaround in the American recession, appear to have been the main reasons for the increase in tourism.

A disappointing aspect of the tourist pattern was a decrease in the number of people using national parks. The

volume at Kejimkujik was down 27 per cent, at Cape Breton Highlands 7 per cent, and at Louisbourg 21 per cent. The federal government's decision to impose an entrance fee at these parks was a major contributor to the fall in traffic visiting these parks.

The outlook for 1976 is not so bright. The Bi-Centennial celebrations in the United States and the Olympic Games in Montreal may tend to keep some tourists away from the province, probably affecting American tourists to a greater extent than Canadians. However, the continuing desire amongst city dwellers for a vacation in the unspoilt countryside will probably ensure that tourism as a whole remains at about the same level as in 1975.

Utilities

Nova Scotia faces a very difficult situation with respect to energy supply; Prince Edward Island is the only province in Canada which is more dependent than Nova Scotia on oil for generation of electric power. Electricity rates charged to industrial, commercial and residential users have been steadily increasing because of the heavy reliance on fossil fuels such as petroleum.

Generation of electric power in the first eight months of 1975 totalled 3.7 million kilowatt hours, 6.8 per cent ahead of output in the same period last year. Consumption continues to press hard on the province's generating capacity. As a result the Power Corporation is expanding to meet these demands, with the Wreck Cove hydro-electric site being the priority item

in the current capital budget.

Maritime Telegraph and Telephone Company Limited's capital construction program has raised the total number of telephones in the province to approximately 400,000. Despite a 9 week strike, long distance traffic to date has experienced a 13 - 14 per cent gain over the same period last year.

Rising costs have led to an application for a general increase in rates of approximately 14 per cent which has been approved by the Public Utilities Board to commence on December 1, 1975.

The outlook for 1976 calls for capital expenditures of $70 million to complete the construction program, with the conversion of the remaining 30 exchanges to dial service, and take-over of the last 24 independent connecting companies.

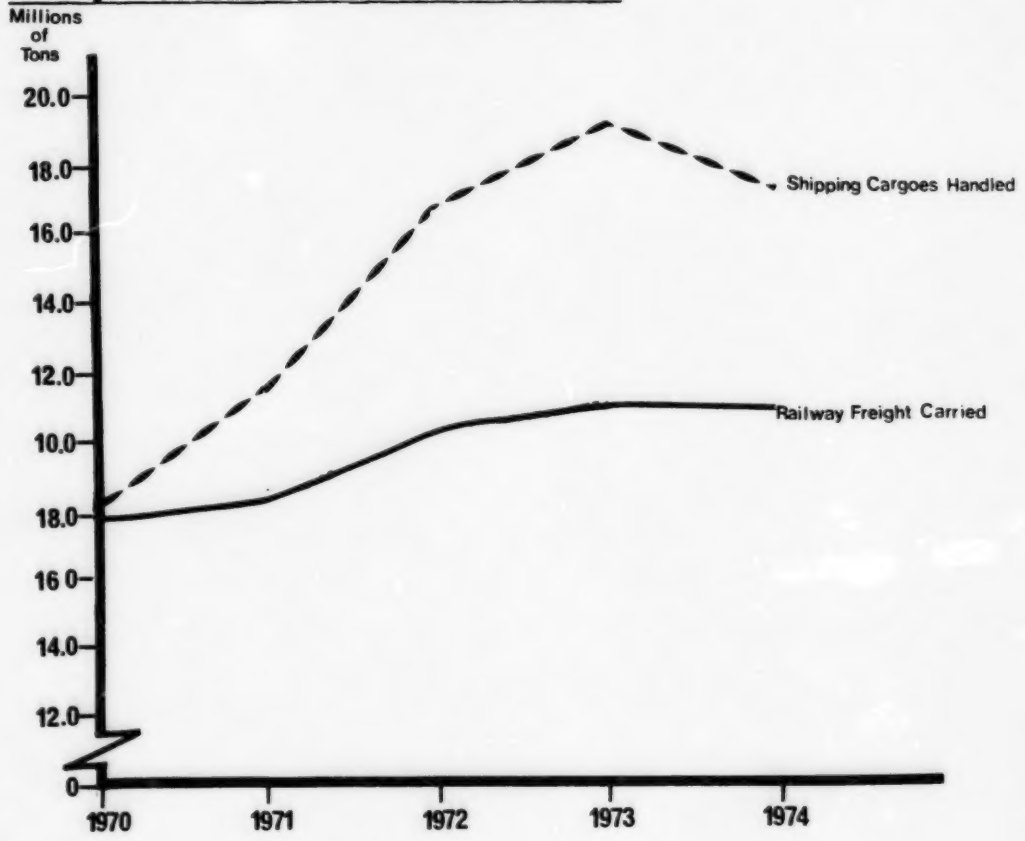
Transportation

The Port of Halifax continued to be Canada's largest container port in 1975, although the volume of traffic has fallen with reduced exports from central Canada. Total container traffic moved through Halifax was 1,143,628 short tons or 104,161 twenty-foot equivalent units. In addition, over 11 million tons of bulk and general cargo were handled.

Autoport, the biggest automobile terminal in the country, is expected to handle almost 90,000 new vehicles in 1975, compared to 80,000 units in 1974.

Chart 3

Transportation Statistics, 1970-1974



Major renovations are being carried out at the Halifax International Airport to facilitate handling of a steadily increasing flow of passengers and freight. This project is part of the Federal Ministry of Transport's five year master plan for upgrading the Halifax airport. Eastern Provincial Airways has also announced plans to establish a complete flight training centre for its crews at the International Airport. Halifax will also become the base of operations for a new fleet of Dehavilland Dash 7 aircraft to be purchased for expanded regional air services within the Atlantic Province.

While utilization of transportation facilities in 1976 will be sensitive to developments elsewhere in the economy, the ad-

vantages which local services have ably demonstrated will ensure a satisfactory level of performance.

NOVA SCOTIA'S ECONOMIC PERFORMANCE

YEAR TO DATE

	1974	Change 1974/1973	1975	Change 1975/1974
PEOPLE: at June	813,000	1.0%	822,000	1.1%
WORK FORCE: To October	299,000	6.8%	304,000	1.7%
EMPLOYED	279,000	7.3%	279,000	0.0%
Goods Producing	90,000	4.6%	89,000	-1.1%
Service Producing	188,000	8.0%	190,000	1.1%
UNEMPLOYED	20,000	5.3%	24,000	20.0%*
UNEMPLOYMENT RATE	6.8%	-1.4%	8.1%	19.1%*

OUTPUT:

FARM INCOME: Millions to September	$77.5	10.2%	$82.9	7.2%*
FISH LANDINGS: Millions to September	$59.5	6.2%	$55.9	-5.9%*
PULPWOOD Cunits to September	711,462	23.0%	780,165	9.6%*
LUMBER Millions of Bd. Ft. to August	137.3	5.5%	87.1	-36.6%
COAL Tons to August	849,847	8.2%	1,285,275	51.2%*
MANUFACTURING Millions to September	$1,137.9	40.6%	1,262.8	11.0%*
POWER Millions KWH to September	3,906.3	11.9%	4,085.5	4.6%*
EXPORTS Millions to September	$359.5	31.7%	$381.9	6.2%

* N.S.'s change better than Canada's

		1974	Change 1974/1973	1975	Change 1975/1974
CAPITAL INVESTMENT:	Millions to December	$905.1	9.7%	$899.7	-0.6%
CONSTRUCTION:	Millions to December	$694.0	11.8%	$703.9	1.4%
Residential Bldg. Permits: Units to July		4,088	-3.5%	4,403	7.7% ✱
Housing Starts: Centres over 10,000 to September		2,993	-31.6%	2,920	-2.4% ✱
INCOME:	Per Capita	$3,990	15.5%	$4,560	14.3% ✱
Total Wages & Salaries: Millions to September		$1,387.9	17.0%	$1,592.6	14.7%
Average Weekly Wages & Salaries: Ind. Comp. to September		$148.23	11.3%	$170.99	15.4% ✱
SPENDINGS:					
RETAIL TRADE	Millions to September	$1,029.5	19.0%	$1,146.7	11.4% ✱
Grocery & Combination		$241.7	32.6%	$271.9	12.5%
Motor Vehicle Dealers		$205.8	13.3%	$232.2	12.8% ✱
Department Stores		$82.3	24.3%	$91.9	11.6%
PRICES:					
CONSUMER PRICE INDEX	1971 = 100 to October				
All Items		120.6	9.5%	132.6	10.0% ✱
Food		141.5	15.3%	160.2	13.2% ✱
Housing		114.3	8.8%	122.0	6.7% ✱

✱ N.S.'s change better than Canada's

CANADA'S ECONOMIC PERFORMANCE

YEAR TO DATE

		1974	Change 1974/1973	1975	Change 1975/1974
PEOPLE:	At June	22,446,000	1.6%	22,800,000	1.6%
WORK FORCE:		9,654,000	4.1%	10,028,000	3.9%
EMPLOYED		9,134,000	4.4%	9,313,000	2.0%
Goods Producing		3,343,000	3.9%	3,274,000	-2.1%
Service Producing		5,791,000	4.7%	6,040,000	4.3%
UNEMPLOYED		520,000	-1.1%	722,000	38.8%
UNEMPLOYMENT RATE		5.4%	-5.3%	7.2%	33.3%

OUTPUT:

FARM INCOME	Millions to September	$7,227.7	44.1%	$7,708.3	6.6%
FISH LANDINGS	Millions to September	$227.6	-5.4%	$186.7	-18.0%
PULPWOOD	Cunits to September	14,962,615	16.5%	13,281,400	-11.2%
LUMBER	Millions of Bd. Ft. to August	3,402.8	3.6%	2,504.2	-26.4%
COAL	Tons to August	14,269,495	-1.2%	18,056,460	26.5%
MANUFACTURING	Millions to September	$58,956.3	24.1	$62,494.5	6.0%
POWER	Millions KWH to September	205,938.9	7.1%	201,301.9	-2.2%

		1974	Change 1974/1973	1975	Change 1975/1974
CAPITAL INVESTMENT:	Millions to December	$32,450.9	21.9%	$37,191.6	14.6%
CONSTRUCTION:	Millions to December	$24,213.0	20.0%	$27,273.7	12.6%
Residential Bldg. Permits: Units to July		129,199	-15.3%	125,870	-2.6%
Housing Starts: Centres over 10,000 to September		135,596	-12.0%	119,972	-11.5%
INCOME:	Per Capita	$4,966	14.9%	$5,671	14.2%
Total Wages & Salaries: Millions to September		$51,955.4	15.9%	$59,672.5	14.8%
Ave. Weekly Wages & Salaries: Ind. Comp. to September		$175.37	10.2%	$200.05	14.1%
SPENDINGS:					
RETAIL TRADE	Millions to September	$31,938.5	17.3%	$35,381.3	10.8%
Grocery & Combination		$7,485.6	19.6%	$8,719.6	16.5%
Motor Vehicle Dealers		$6,319.7	13.1%	$7,035.6	11.3%
Department Stores		$3,345.2	19.2%	$3,790.3	13.3%
PRICES:					
CONSUMER PRICE INDEX	1971= 100 to October				
All Items		123.8	10.6%	137.8	11.3%
Food		141.6	16.4%	160.6	13.4%
Housing		120.1	8.4%	131.9	9.8%